

# BUILD & PROTECT

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## This Porridge Was Just Right

Goldilocks and the “just right” attitude was the theme throughout 2017 with steady growth and moderate inflation. This calm and consistency resulted in a banner year for stocks. Growth stocks outperformed value and large companies outperformed small companies. The yearly performance was fueled by a steeper pick-up in the final three months of the year; the market was up 6.1% in the fourth quarter, compared to a 4.0% gain in the third quarter.

Markets were primarily driven by a solid global economic expansion and continued earnings growth. Additionally, the strength in equity markets last year was further fueled by several positive developments that should have a longer-term tailwind such as corporate tax reform, an anticipated smooth change of leadership at the Federal Reserve and a generally more confident view in the economy’s resiliency. For example, JP Morgan (the largest bank by assets in the US) anticipates that the recent tax overhaul will add 0.3 percentage points to the US economy this year and next. That may not sound meaningful, but it is about a 10% increase in the growth rate currently forecast by the Fed.



While the S&P 500 posted 12 consecutive months of positive total returns, which is the first time this has ever happened in 90 years, volatility remained near all-time lows. In fact, the VIX Index (the so-called “fear gauge” or “volatility index”) saw 22 of its lowest 25 readings of all time in 2017. This was likely the result of low interest rates and strong corporate earnings.

If one were to just look at the market and VIX, they’d infer a peaceful global news-flow throughout the year. But, that certainly was not the case with the FBI’s Russia probe, tense “Brexit” negotiations, uncertainty around US trade deals, escalating rhetoric with North Korea, a separatist push in Spain and a weak US dollar that registered its biggest annual decline since 2003. Other noteworthy items in 2017 include “cryptocurrency” and “bitcoin” becoming ubiquitous terms, the repeal of net neutrality, key oil producing countries agreeing to reduce output for longer and the US withdrawing from both the Paris Climate Accord and Iran Nuclear deal. Although not necessarily market shaking events, each changes the landscape of certain industries and, therefore, are strongly monitored by us at Catamount.

Looking forward into 2018, Wall Street is currently anticipating 15% earnings growth. In our opinion, this could be conservative given the 7% to 10% incremental growth from tax reform that is not fully baked into estimates.

The market has strong tailwinds going into 2018. An upward bias on earnings, a healthy global growth outlook, low unemployment and positive consumer sentiment should all push the market even higher. That said, we wouldn’t be surprised by a temporary lull or correction in the market. In fact, we would view a correction here as a buying opportunity to build on current positions where our conviction is highest. An active, selective investment approach will be important in 2018 as volatility increases.

We hope you had a great end to the year and are enjoying the beginning of 2018. Please let us know if you have any questions – we are here to assist you!

**The Catamount Wealth Management Team**

# SAVE THE DATE

*More details to come*

## Friday March 2 Lunch time

**Ryan Sheppard**  
from Knight Rolleri Sheppard CPAS, LLP  
How the changes in tax laws affect you.

## Wednesday March 14 Evening

**Edward Marcantonio**  
from Hermenze & Marcantonio LLC  
How recent changes to the federal  
and Connecticut estate tax laws may  
affect your estate plan.

## A New Year... Any Changes

Do you have any updates to  
your personal information—  
new address, different email,  
updated beneficiary changes,  
anything....please call the  
office or email Judy at  
[jburke@catmg.com](mailto:jburke@catmg.com).

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## WHAT IS BITCOIN?



**A Bitcoin is a digital token** — with no physical backing — that can be sent electronically from one user to another, anywhere in the world. A Bitcoin can be divided out to eight decimal places, so you can send someone 0.00000001 Bitcoins. Unlike traditional payment networks like Visa, the Bitcoin network is not run by a single company or person. The system is run by a decentralized network of computers around the world that keep track of all Bitcoin transactions, similar to the way Wikipedia is maintained by a decentralized network of writers and editors. The record of all Bitcoin transactions that these computers are constantly updating is known as the blockchain.



Today, most transactions are people buying and selling Bitcoins on exchanges, speculating on future prices, so buying Bitcoins is relatively easy. There are companies in most countries that will sell you Bitcoins in exchange for the local currency. In the United States, a company called

Coinbase will link to your bank account or credit card and then sell you the coins for dollars.

